Conclusion

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The conclusions to be drawn from the above case study concerning the rural weaving industry in the Majalaya region of West Java will be listed here in the same order as the problems presented in Chapter 1.

First, with respect to the economic foundations of rural industry, during the late 1960s the weavers active in the survey village were not able to continue the factory system they had organized up until that time. As the village's textile industry faced this crisis, which was caused by the breakup of its weaving factories, weavers turned to products whose markets had not yet been completely monopolized by large corporations or power-loom operators. In order to turn to these products they cut production costs and resulted in a new division of labor, as a large number of locally based traders took innovative measures to open up new marketing networks. What happened was the formation of a weaving production area/community centering around the survey village that was freed from dependence on either factories or wholesalers in other regions.

The weaving businesses that were created within this new division of labor were either *hirkup* wage weavers organized under the putting-out arrangement or independent operators purchasing their own yarn and selling their own cloth. Both types of business put out some work to home workers and hired very little wage labor, thus realizing a system of production that must be classified as "petty commodity production." The products manufactured by this industry were inexpensive, poor-quality dishcloth fabric and gauze made of yarn which had not passed inspection at the spinning mill. These weaving businesses were characterized by small amounts of gross profit on sales, which brought low incomes to the families that ran them. These weavers had their own characteristic way of continuing production on very small amounts of working capital, that was always in danger of drying up due to sickness or some other contingency within the family.

The textile traders in the village became either wholesalers organizing local weavers for wages under the *hirkup* putting-out arrangement or petty traders without any *hirkup* wage weaving contracts. The local wholesalers had been the managers of weaving factories during the 1960s or at least close kin to these managers. These local wholesalers purchased their yarn in Majalaya by the bale and supplied it to their *hirkup* wage weavers. This yarn was of fairly good quality and was less expensive than bulk prices. The products brought relatively high end prices and were sold to wholesalers in Jakarta for distribution to markets all over the country. They can be found on supermarket shelves in the larger cities. On the other hand, the petty traders obtained their products from the village's independent weavers, who acquired their own yarn. They traded these low-quality items by traveling around using the cheapest transportation and lodgings available, selling to wholesalers, drug stores, small retailers and stall keepers, and opening up new distribution routes on the way. Many of these traders borrowed their cloth from the village's independent small-scale weavers, sold it in the cities, then paid the weavers on their return to the village. Traders often had to depend on such credit relations to stay in business.

The weaving production area in and around the survey village supplies low-cost products, which cannot be manufactured by power-loom operators, to low-income consumers in cities and rural communities, who increased their demand but cannot afford the higher-quality power-loom products. Differentiation within locally produced textiles exists: the items handled by the local wholesalers are of rather higher quality and are therefore relatively higher priced than the items dealt by petty traders. Nevertheless, the producing area is now being faced with a growing inability to produce higher-quality products in response to recent rising per capita income levels and the changing preferences of Indonesian consumers.

The occupation of weaving as the provider of business and employment opportunities for the village's lower socioeconomic strata is characterized by a small amount of initial capital funds (*modal*) to enter the industry, and there are a number of ways by which to minimize this actual amount. Differences that exist in the initial capital required to enter various occupations reflect the economic status differences that exist among the village's social strata. Conversely, the extensive social stratification that exists in the village is premised in part on a division of labor within the production area among occupations with differing rates of operating profit (and wage scales), reflecting the amount of initial capital funds required. This division of labor makes it possible for members of the village's lower and middle strata to easily set up weaving and cloth trading businesses with very small amounts of initial capital. In addition, the wholesalers' relatively high ratio of operating profit to initial capital are determined by their *hirkup* wage weaver organizations and the amount of operating capital invested.

The explanation we have offered in response to the existing research on the subject is the idea that this division of labor, which has been formed in rural production areas upon the premise of economic position among the village's social strata reflected by the amount of initial capital invested, is a flexible response to risk that has enabled the weaving industry to survive and become the basis for future development in the village surveyed.

With respect to the problem of why petty entrepreneurs in the lower strata of the village have not been transformed into wage labor, or why their enterprises have not developed into factory production, we can conclude the following.

First, we should mention the factor of how households are formed in the typical Sundanese village of West Java. Given the ideal of forming independent households as soon as possible after marriage, there is a tendency to look for those occupations that require small amounts of initial capital. This tendency promotes the setting-up of weaving business in the village surveyed. Self-employed weaving is well suited to a labor force consisting of husband and wife and allows a relatively short period of migratory work by a husband.

However, the following factor is more important for the above problem. A transformation of such a household's self-employed petty business into wage labor would very likely provide the household with a larger amount of income. But this does not happen, because the production system in the rural weaving industry remains so petty that it does not have a chance of developing into a factory system which will employ wage workers. Why it does not have the chance is an important question to ponder. We calculated the operating profit that could be earned by a number of different factory organizations—for example, the case of twenty hand-loom factory subcontracting to a local wholesaler, or the case of twenty hand-loom factory that purchases its yarn in quantity and sells its output to textile traders—and found that in all cases ratios of operating profit to the initial capital were lower than those of the textile traders. Running a weaving factory yields less return from larger amounts of required initial capital investment. Then we set up an hypothetical situation of putting an already existing factory into operation and found that its profitability was indeed higher than cloth trading in terms of ratio of operating profit to the initial operating capital. In spite of their potential earnings, such factories have completely disappeared from the village's production area. The reason for this lies partly in the difficulty of procuring in large enough quantities a good grade of spinning-mill rejected yarn and partly in the fact that the risk of factory management being made unstable by insufficient operating capital motivates entrepreneurs to choose the more flexible occupation of family-based textile trader hiring a small number of young pieceworkers to provide their products than that of factory manager employing large permanent work forces. Therefore, what has happened historically is a transition from factory manager to textile trader, resulting in potential factory manufacturers turning in the end to commerce.

One additional point that should be considered here is that in spite of the fact that the pay is better working for others as wage labor or *hirkup* wage weavers, the choice of lower paying independence can be attributed in part to the Sundanese character, which prefers self-employed work to working for someone else. Another point is that independent businesses, despite the low income they offer for weavers, produce about the same amount of income as rice farming among "middle"-strata owner operators in the village.

For a local wholesaler who engages in factory production, the return on initial investment is greater than mere commercial activities. In fact, in 1986 a group of local wholesalers opened operations in factories ranging in scale between twenty and forty hand-looms. This budding attempt by commercial capitalists to enter the manufacturing sector has been fraught on the production side with instability during their continuing dependence on spinning-mill rejected yarn; however, a stable flow of working capital for these enterprises is being provided by accumulation occurring on the commercial end. Therefore, the transition to factory production here took place as soon as initial capital was large enough to cover the burdensome fixed costs involved in such a system of production.

What we have pointed to, in contrast to the existing research literature, as the factors in the overwhelming existence of petty businesses and the tendency to expand commercial activities instead of investing in manufacturing is that the difficulty of ensuring steady flows of operating capital and raw materials demands a more flexible response from entrepreneurs in the form of traders investing relatively small amounts of initial capital and depending on their family labor and a small amount of temporary labor instead of organizing larger scale factories and having to face the high fixed costs that accompany them. This discovery has led us to propose for the first time that such a situation is forcing potential manufacturers into the commercial sector. At the same time, we have discovered factors accompanying the predominance of petty businesses, such as the mechanics of household formation, a preference for self-employed independent business, as well as the peasant background of petty weavers.

Here is what we can conclude from the third problem of how the nonfarm sector has developed and its relationship to part-time farming. To begin with, the only households that can keep themselves above the poverty line through farming and fish raising are farm households fully engaged in farming and fish raising, while the rest are turning to other occupations on either a part-time or full-time basis. Also, due to a diversity of agricultural endeavors, the farm-labor demand shown by the M-cycle for the village surveyed tends to be only gently sloping. The demand for agricultural wage labor tends to be relatively constant throughout the agricultural year, and such opportunities are limited to a relatively small group of workers. For this reason, employment opportunities in the village must be provided by its nonfarm sectors. These opportunities are provided by various sources centered around the local weaving industry. As a result, despite no progress being realized in the mechanization of the village's agricultural sector, there exists a large number of weavers employed throughout the year. There are also textile traders active throughout the year, some of whom are steadily increasing their sales volumes and business scales. Based on such a rural industrialization pattern, wet-rice cultivation done on a part-time basis by these weavers and traders tends to be geared towards subsistence, but makes use of high-yielding seed varieties and large amounts of chemical fertilizer. A large percentage of this work is done by wage labor so that better harvests are ensured. Incidentally, the greatest yields are realized in the case of the village's landowning textile traders.

From an investigation of the influence exerted by the local textile industry, which includes both upper- and middle-strata textile traders and middle- and lower-strata small-scale weavers and home workers, on the village's income distribution, we find a Gini coefficient of 0.735 for "farm sector" income alone, then evening off to 0.599 when the "textile-related sector" income is added. The role played by the textile industry in equalizing the distribution of income among the village's social strata is quite evident here. There are "other non-farm sectors," like factory and clerical work and *becak* driving that tend to equalize income distribution; but there are those, like retailing, that tend to promote income inequality; however, these sectors as a whole do tend toward equalization, in the fact that when they are added to the "farm" and "textile-related" sectors, the Gini coefficient drops to 0.535. Nevertheless, the activity of these nonfarm sectors is still insufficient to bring about change in a village stratified order that is based on landownership. And so, despite that fact that the percentage of the village's total income provided by the "farm sector" is not large, landownership still exists as the major determinate of stratification status there.

One response to the stagnation that has occurred in the rural textile industry has been the movement of mid- and upper- strata labor force out of the village. There have been members of the upper strata who moved out of the village, achieved success in their endeavors, then purchased land in the village or its vicinity, leaving its management to family members living there, and thus preserving the superior social position held by their families in the village. The activities of commuters working in factories and offices and temporal emigrants working in the cities have had equalizing effects on income distribution in the village. There is also a lot of the traditional *ngumbara* still going on here. In this case, it is the division of labor in the local production area that makes it possible for families to return to the village after their extended absences.

What we have argued here in opposition to Choe's pattern (1986) of rural industrialization in Southeast Asia, is a much different rural industrialization pattern of extremely active transition to nonfarm occupations in the absence of farm mechanization and a group of weaving entrepreneurs producing subsistence-mindedly, regardless of the agricultural season. Within this kind of industrialization, the rice yields are better and the village's stratification structure is still strongly determined by landownership. The local textile industry has contributed much to reducing income differences here, but has not been able to bring about changes in the traditional order.

As to the multiple-occupational pattern of the village's residents, first, we should emphasize that households whose major occupation is weaving own or operate very small plots of land. And so to smooth the difficulties of everyday life arising from the small amount of gross profit on sales earned from weaving to raise enough working capital to continue weaving, these households become involved in a mix of occupations, including textile-related piecework, the urban informal sector, petty cultivation, agricultural wage labor and/or wage labor in the formal sector. In other words, the members of these households, which are mainly independent weavers, generally display a multiple-occupational pattern in which their members engage in part-time and side jobs in petty commodity production and wage labor. It is our opinion, contrary to the conventional wisdom, that rural industry is capitalized by local villagers involved in multiple occupations, including employment in the urban informal sector.

Concerning the question of whether or not the rural nonfarm sector is "involutional," first, when small-scale weavers are viewed individually, they appear as minuscule operations involved in a division of labor caught up in selling on credit relationships with the similarly small-scale traders who sell their products. This situation might seem to be a classic case of what the involutionists call "shared poverty." To the contrary, the rural weaving industry actually provides the lowest echelons of rural society with employment opportunities and, according to our calculations, helps to equalize income distribution among the village's socioeconomic strata. These positive functions simply can not be ignored. These small-scale weavers, whose occupation does not even realize for them a poverty-line existence, by no means should be looked upon as "permanent poor." That is to say, weaving and cloth trading do not necessarily consist of a class of artisans and merchants with no freedom to enter or leave their trades. As a matter of fact, consciousness about "inheriting the family business" is weak. For this reason, what is most influential in determining their occupations is the amount of initial capital funds on hand and prospects about potential returns, meaning that it is very easy for these people to change occupations or choose different occupational mixes. With changes in available initial capital, small-scale weavers will most likely go into small-scale cloth trading, instead of expanding their weaving operations. While the amount of initial capital required differs for each occupation, all the initial capital funds form a continuum of occupations into which the members of village lower and middle strata can enter, given the wherewithal.

In terms of the whole village, however, great socioeconomic differences exist among its residents, which are reflected in the differences in amounts of capital required for them to enter the businesses in which they are now engaged. In response to the great difficulties involved in small-scale manufacturing, those local wholesalers who were able to accumulate capital through the more flexible choice of cloth trading are now in a position to cover the large fixed costs of factory production and open operations. Such social stratification contradicts the concept of "shared poverty." We conclude, therefore, that in the nonfarm sector we studied in this book, the principle of shared poverty is not the dominant modus operandi or social pattern.

In light of the above conclusions, we will close with a consideration of the prospects concerning the development of small-scale manufacturing in the survey village. The difficulties which the rural textile industry in West Java has faced over the past decades continue. Within the production area, a cooperative was organized under the initiative of the village's residents, but it ceased to function, since the reason for its establishment was only to receive government subsidies. At present, the only residents in a position to take advantage of government small business loans are the local wholesalers. There are at present families in the village who can provide even more capital than the local wholesalers; but these households have chosen to invest these funds in more lucrative enterprises outside the village.

Despite the fact that we see absolutely no mechanization being carried out in the agricultural sector in the region around the survey village, there are many households that have gone into nonfarm occupations along with farming as side business or abandoned agriculture altogether. This situation, when considered in terms of rural industrialization, indicates a definite potential for the introduction of factories from other area into this area.

Next, let us consider two possible directions that the development of this production area may take, given the division of labor that we have discussed throughout this book. This first direction is towards greater value-added products. In the weaving industry this means the production of better-quality items using yarn that would pass factory inspection. Such improvement would involve the introduction of powerlooms and measures that would motivate the village's elite to invest in such a project. Also, the possibility of the development of subcontracting and *hirkup* wage-weaving relationships between weavers and local wholesalers, in which the advantages of local petty enterprises are exploited within a larger scheme of subcontracting or cooperative relationships between local wholesalers and enterprises, both of manufacturing and commerce, outside the area. Here the activities of a cooperative centered around local wholesalers and covered division of labor in the production area would become important. The second direction proceeds towards production geared to markets catering to low-income consumers. For this purpose, a more active procurement of spinning-mill rejected yarn to the survey village must be carried out, in addition to the establishment of a small-scale system of lending, to which both petty enterprises and wage and home workers could have easy access. Here a cooperative based on a production area would be mainly promoted by petty businesses including wage and home workers. These functions of cooperatives could be taken on by KOPINKRA, production-area cooperatives for small industries including home industries, that the government is now promoting. What we are suggesting here is that the kind of local production area and its existing division of labor that we have studied in this book should, and no doubt will, form the foundations on which community-based industry will develop in the future.